



Overview of Value Creation

Message from the CEO

Stay Ahead of Customers' Expectations with Our Unchanging Spirit to Take On Challenges

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A Challenger That Stays Ahead of Latent Needs

We are a private company that stemmed from the RIKEN Foundation, and established in 1951 as RIKEN VINYL INDUSTRY CO., LTD. With the processing of polyvinyl chloride (PVC) resin as our core business, we started as a venture capital with limited funding and based solely on our strength in terms of people and technology. Our features since the days of our establishment—including our challenging spirit, creativity, and determination toward new product development—continue to be passed down as important principles even after we changed our company name to RIKEN TECHNOS CORPORATION.

Our spirit of venture passed down continuously over our history of over half a century, our corporate culture developed over the generations with trust at its core, and our vision that we will continue to pursue into the future—when we commemorated our 60th anniversary in 2011, we consolidated these three into our new corporate

philosophy, the RIKEN TECHNOS WAY. RIKEN TECHNOS WAY comprises three layers: our Mission expressing our raison d'être, our Core Value which serves to guide our decisions, and Basic Action that form action guidelines to be practiced by our employees. There are nine specific action guidelines defined under Basic Action, one of which used to be "Exceed customers' expectations" that we have changed this time to "Stay ahead of customers' expectations." The change of wording from "exceed" to "stay ahead of" may look like a minor change at first, but this is because RIKEN TECHNOS wants to be a company that is not satisfied with simply exceeding the customers' expectations that can already be seen, but always anticipates the future to stay ahead of the latent customer and market needs which have yet to manifest. This change in wording incorporates this strong desire.

To always stay ahead and propose new value, we ourselves need to deeply understand the market and our customers. My role as CEO is to develop talented human resources with skills that can achieve this and also firmly

establish the corporate culture of "Stay ahead of customers' expectations" across the entire Group. At the same time, it takes considerable time to change corporate culture, and I understand that this is easier said than done. I will lead by example to set time for transformation and undertake this effort determinedly without sparing any of the resources that I have as the top management.

My Basic Stance in Corporate Management Is to Be Thorough in Discussions

When going about business operation as the top management, I place the utmost emphasis on deriving conclusions after being thorough in discussions. Then, the conclusions arrived at after the process of discussion are shared with everyone for us to move forward together in the same direction and pace. This is my basic stance.

When we formulated the three-year medium-term business plan that started in FY2022, we conducted repeated

discussions with all executive officers about the gist of the plan and, in particular, RIKEN TECHNOS's strengths and weaknesses that serve as the prerequisites of the plan. At the same time, thorough discussions were also carried out at the respective levels of the general managers and managers who are actually responsible for achieving the targets of the medium-term business plan. Through these discussions, we concluded that our two strengths are our strong technical capabilities in formula design, kneading, and film manufacturing as well as our ability to deliver what customers want to a global, blue-chip clientele.

Furthermore, when we identified our materiality topics, we held unreserved discussions, even on days off, at both the level of directors—which included outside directors—and general managers to arrive at the current set of materiality topics.

For discussions related to sustainability, which require a medium- to long-term perspective, it is important to imbue a sense of ownership on young and mid-level employees who will be responsible for RIKEN TECHNOS's future

and not have decisions made just by the directors. The business environment we are in will surely keep changing going forward. The changes at each point in time may be small, but when looked at over a long period of time, their impact may be extremely significant. It is necessary for young and mid-level employees to improve their abilities to sense and adapt to both big changes as well as the small changes in front of them. In a company with a history such as ours, there is a tendency to prioritize the mindset of “this was how we have been doing things” and “we had no issues with doing things this way so far.” However, I think that for RIKEN TECHNOS to continue to achieve sustainable growth going forward, it is absolutely essential that we squarely face the problems occurring in front of us without ignoring them and be thorough in our discussions by fully using the knowledge of everyone to think about how to solve these problems. I hope to lead by example and create an environment where everyone can conduct passionate discussions on all issues related to RIKEN TECHNOS with a sense of ownership.

RIKEN TECHNOS's Growth Comes from the Growth of Each Employee

I myself have worked for a long period of time overseas. In countries with a different lifestyle, culture, and business practices, the implicit understanding between Japanese people does not apply, and being placed in such an environment developed my stance of speaking logically using the proper words. Such experiences form the basis of my management method that pays particular attention to discussions.

When I took over the appointment of president, I told all employees that the growth of people is corporate growth itself. Our basic human resource strategy is for employees and RIKEN TECHNOS to grow together. The Company will provide work and workplace environments that allow each employee to apply their abilities as well as support employees in playing active roles by actively conducting education and training. If employees can demonstrate teamwork under the strong leadership of those in management positions, it should lead to the Company's growth.



In our three-year medium-term business plan, we state three conditions to clearly show the ideal human resources sought by RIKEN TECHNOS. These are: human resources that succeed at global competition, human resources with analytical skills, strategies, and perspectives that stay ahead of customers, and human resources with diverse viewpoints that give birth to new businesses and products. Gathering such human resources is a pressing issue, and the three methods available to us are securing of human resources, human resources development, and reassignment of human resources and improvement of efficiency. In particular, from the perspective of securing human resources, we will actively carry out mid-career recruitment to supplement the areas that we currently lack or are weak in. We will invigorate the Company and create synergy with our human resources development by introducing talents from outside. In addition, we will recruit human resources with global perspectives in our recruitment. We hope to aggressively recruit not only people who were educated in Japan but also those who have experienced education overseas, such as exchange programs.

Today, at 51.4%, overseas net sales account for the majority of our net sales, and our employees have to think with a global perspective that goes beyond the boundaries of Japan. Besides those involved in sales who have to acquire a global sense, employees in manufacturing and technical positions—for which this issue seems unrelated at first—also need to widen their perspectives and realize “the spirit of manufacturing” that can be achieved at overseas sites without being confined to using materials and methods that are indigenous to Japan. I also hope that those in administrative departments will change their mindsets to think of the entire world as our business field, such as thinking about risk management after considering the global situation.

At the same time, those of us in top management have to think about creating more chances for employees to grab opportunities. It is also important to create an atmosphere where employees can voice their opinions and thoughts without hesitation. I think that everything necessary for establishing such an environment that develops people falls under the scope of human resources development, and I hope to make it into a part of us as our corporate culture.

Long-term Growth Strategy and Actions for Improvement of Near-term Profitability

In FY2022, we established the Start-up Office for New Business Development as our growth strategy from a long-term perspective that goes beyond the three-year medium-term business plan. The mission of this department is to give birth to totally new businesses that will become profit pillars in 10 years' time. As an approach different from the past, instead of establishing a new business on our own from zero, we will actively pursue academic-industrial partnerships, industry-industry collaboration, and other such efforts. Depending on the collaboration, we will develop our ability to deepen discussion with people outside the Company, and in the development of new products, we also intend to incorporate the ideas and technologies of our partners without being too particular about our own ideas. The Technical Division has also begun collaboration with academic institutions and industry in various areas ahead of the efforts of the Start-up Office for New Business Development.

At the global level, for the ASEAN region and North America, we have assigned officers who are responsible for the respective regions as a whole. The plan is to improve the region as a whole by appointing human resources capable of looking at all aspects of business—from procurement to design, production, and occupational safety—to this position of regional officer. In the future, we hope to significantly improve the technical capabilities of the respective regions under the regional officers to reach a level where each region can operate independently instead of dispatching human resources from Japan to provide instruction on production technologies.

Several years ago, we started conducting global meetings by department. One of them is the global sales meeting, which is held once each month and attended by the managers of business units in Japan and leaders of sales departments at overseas sites. We launched this series of meetings for the purpose of solving issues occurring in the respective countries and regions by thinking about and solving them at the global level instead of relegating them to being problems unique to each country and region. In FY2022, following the sales departments, the manufacturing departments also launched the global manufacturing meeting. This meeting is attended by

managers of manufacturing sections in Japan while overseas attendees are general managers of factories, who are the leaders of their respective manufacturing departments. These global departmental meetings reflect my firm belief that, in our pursuit of further global reach in the future, it is essential to entrench an approach of seeking overall optimization instead of individual optimization as well as raise the level of all employees globally. In fact, ever since the start of global meetings, there have been more times when I felt that the overall level of the respective regions has increased. Going forward, we are also planning to establish global meetings for our procurement and quality assurance departments.

Investment Policy and Profit Allocation

We see two major tracks for our investment strategy aimed at expanding profitability. One is to invest in PVC compounds—our best performing product—in the ASEAN region. The other is elastomer compounds, which are seeing greater demand on a global scale due to their strong environmental performance. For them, we plan to invest in the overall global market centered on Japan, the ASEAN region, and the Americas without limiting the target market.

We will also carry out continuous growth investment in the three areas of facilities, R&D, and human resources with a view of RIKEN TECHNOS's sustainable growth. In particular, we will focus on capital investment for streamlining and labor saving in anticipation of a shortage in human resources in the near future, and also investment in human resources that includes the raising of wages. Facilities and human resources are actually very tightly related. As we are in manufacturing, productivity is highest when we operate without pause using shifts. At the same time, we need to promote work-style reforms as part of sustainable management. To strike a balance between these two opposing themes, as an example, it will be necessary to manufacture in five days what used to take seven days, and we will require investments in both systems and processes to raise productivity. For systems, we will advance labor saving through automation of manufacturing equipment. At the same time, for processes, we must actively implement digital transformation (DX) and also think about using artificial intelligence (AI)

for tasks that used to rely on humans. Of course, we will also need excellent human resources to be responsible for improving productivity. Therefore, we will expand our investment in human resources, including investment in employee education and mid-career recruitment of highly skilled human resources.

Another key point is shareholder returns. In FY2022, we changed our dividend policy, increasing the dividend payout ratio by 5% from 30% to 35%. We will also further enhance opportunities for communication with shareholders and investors, such as starting to organize shareholder relations (SR) meetings from FY2023.

Toward Solving Social Issues through Our Core Business

RIKEN TECHNOS's PVC compounds and elastomer compounds—our flagship products—are all materials that are friendly to the environment. The main raw material of PVC compounds is PVC resin, and more than half of its composition is salt (sodium chloride), a natural material. Therefore, PVC's environmental load is significantly lower than polyethylene and polypropylene, which are derived from petroleum. With excellent weather resistance, durability, and thermal insulating properties, in recent years, there are also more products that use PVC resin instead of aluminum as window frame materials. There is also data showing that, by simply changing window frames to use PVC, air conditioning efficiency increases by around 40%. Meanwhile, elastomers are materials that are often used as a replacement for synthetic rubber such as in automobile parts. Lighter than rubber, they can help to improve fuel efficiency by making automobiles lighter, and they can also be easily recycled. Therefore, elastomers can significantly contribute toward reducing environmental load as lightweight materials that can be recycled.

Furthermore, as our compounding technologies are technologies for combining various resins and additives, for example, by using organic resources that would usually be discarded—such as scrap wood ground into powder or used tea leaves—as additives, it will be possible to make effective use of resources as well as provide environmentally friendly products. Waste, which serves as the raw materials for biomass materials, can become an issue for society, and using these products for various applications can also help to make effective use of waste.



Incorporating RIKEN TECHNOS's Strengths into Our Corporate Culture

Going beyond listening to the requirements of customers and achieving them to feel joy in delivering products and services that exceed customers' expectations—RIKEN TECHNOS is a company that has such employees, and I believe that this is our corporate culture. However, on reflection, this may also mean that we are acting passively, waiting for the requirements of our customers. Going forward, based on this reflection, we will seek tighter communication with customers to discern even the needs that have yet to manifest and engage in business that stays ahead of customers' expectations. We will incorporate the behavior of further strengthening our strengths and acting in an even more proactive manner to the level that it can

be called our corporate culture, and build a true partnership that creates the future together with our customers. My mission is to change this into a corporate culture that can be seen with the eyes and not let it remain as something in our minds.

Together with our business being sustainable, going forward, we hope to continue to contribute toward solving various social issues through our core business of resin processing to seek a world where society as a whole is sustainable. We will also increase the recognition of RIKEN TECHNOS and our products in the world of sustainability so that we enhance our corporate value both financially and non-financially. We hope that all of our stakeholders will continue to give us your unwavering support.